

UK pig meat outlook

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Summary

- Rising in UK pig meat production expected in 2020
- COVID-19 challenges limit demand and import levels
- Further export growth expected, considering the rise in Chinese import demand
- Global pork shortage means prices remain elevated
- This forecast uses an optimistic demand scenario for COVID-19 recovery and assumes continued free access to EU market after January 2021

Key 2020 Stats



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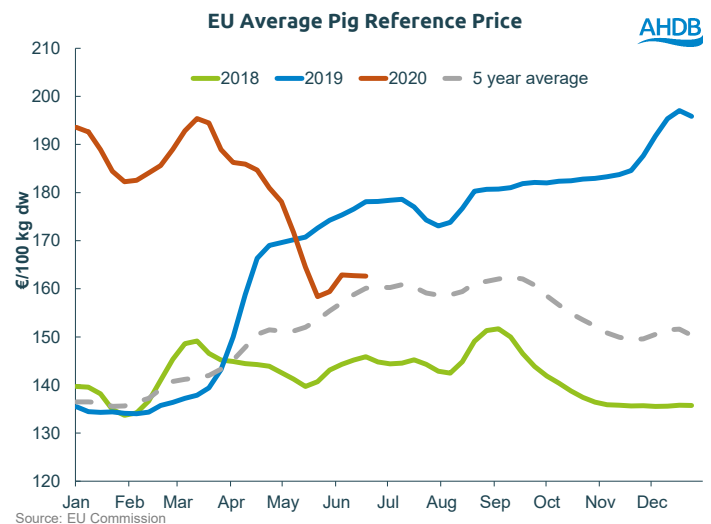
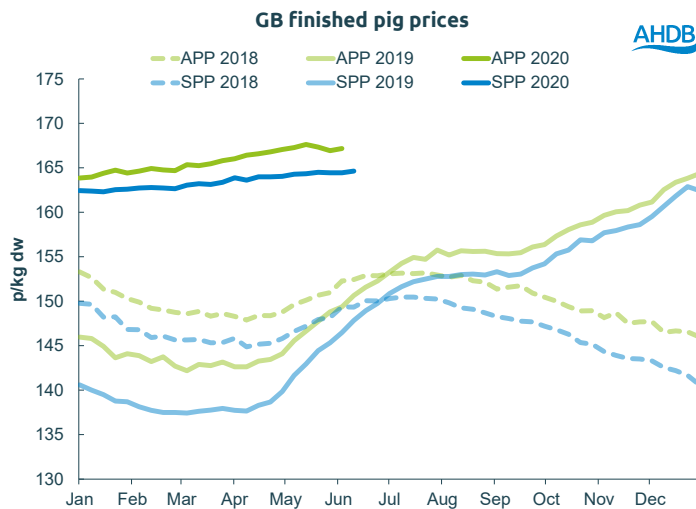
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Quarterly market update

Prices

GB

GB finished pig prices have remained elevated in 2020 so far, showing a modest upward trend. The EU-spec SPP reached 164.64p/kg by mid-June, up over 2p from the start of the year. Demand has remained solid, despite the closure of most foodservice outlets here and in Europe and some logistical challenges to exports. Strong growth in retail sales has helped maintain price levels.



EU

EU pig prices have dropped sharply since lockdown measures were increasingly imposed in March. By mid-June prices were hovering around €163/100kg. The loss of foodservice demand has led to oversupply problems, with a lot of product going into storage. This is more of a challenge for the key EU producers than the UK market, as the UK is a net importer of pork and can balance supplies by reducing imports. As EU prices have dropped while the UK holds firm, the gap between farmgate prices has opened up again, to about 19p. In historic terms, this is not a particularly large price premium.

Production

Slaughter

Clean pig slaughter in the year to May totalled 4.57 million head*, 3% higher than the same period last year. The growth has been stronger than we anticipated in our previous forecast. We believe the sow herd grew by more than we previously thought last year, and so have revised our estimates upwards. Higher breeding feed production does point towards expanding sow numbers. We also think there was some improvement in herd performance, even though this is not captured in the Agrosoft data in the latter part of last year. Anecdotal reports have been mixed, so it seems likely both sow numbers and performance contributed to the higher slaughter numbers to some extent.

Adult pig slaughter in the year to April was the same as year earlier levels, at 87,000* head. We have excluded May data as Defra experienced some challenges with data collection that month and the

figure will probably be revised. Sow turnover was fairly low last year, suggesting the age profile of the herd should be higher and this will ultimately lead to increased culling. This may become more apparent later in the year.

Carcase weights

Carcase weights in 2020 have been some of the highest on record again. Between January and April, weights remained above 86kg and were 1-2kg above year earlier levels. Again, current data for May looks likely to be revised.

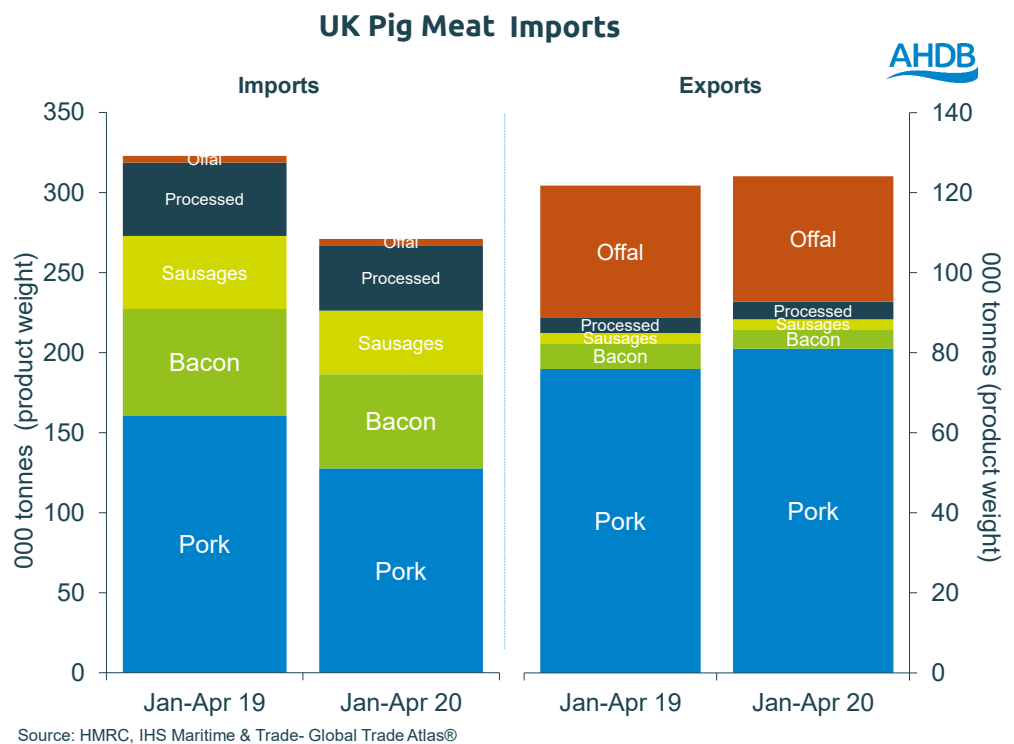
Carcase weights typically increase year-on-year, reflecting genetic improvements and recently growth has been particularly noticeable. Some abattoirs have also raised the upper weight limit for boars.

The heavier carcase weights have accentuated the increase in slaughter. Production was 5% higher than year earlier levels between January and April, totalling 342,200 tonnes*.

Trade

Imports

According to HMRC data, the UK imported 273,000 tonnes** of pig meat (including offal) between January and April. This was 51,000 tonnes less than in the same period last year. Most products recorded a decline, but fresh/frozen pork showed the largest drop. Some of the decline is because of relatively high imports at this time last year, due to Brexit stockpiling activity. However, demand was also falling early in the year, and after the lockdown was imposed, foodservice demand collapsed which has probably particularly affected import demand.



Exports

UK exports of fresh/frozen pork increased (+7%) on the year across January-April, totalling 81,000 tonnes**. This growth continues to be driven by Chinese demand as African Swine Fever generates a significant supply shortage. UK shipments to China were 75% higher on the year during the period. Exports of processed products fared less well, but pig meat exports were still up 4% overall at 93,000 tonnes**.

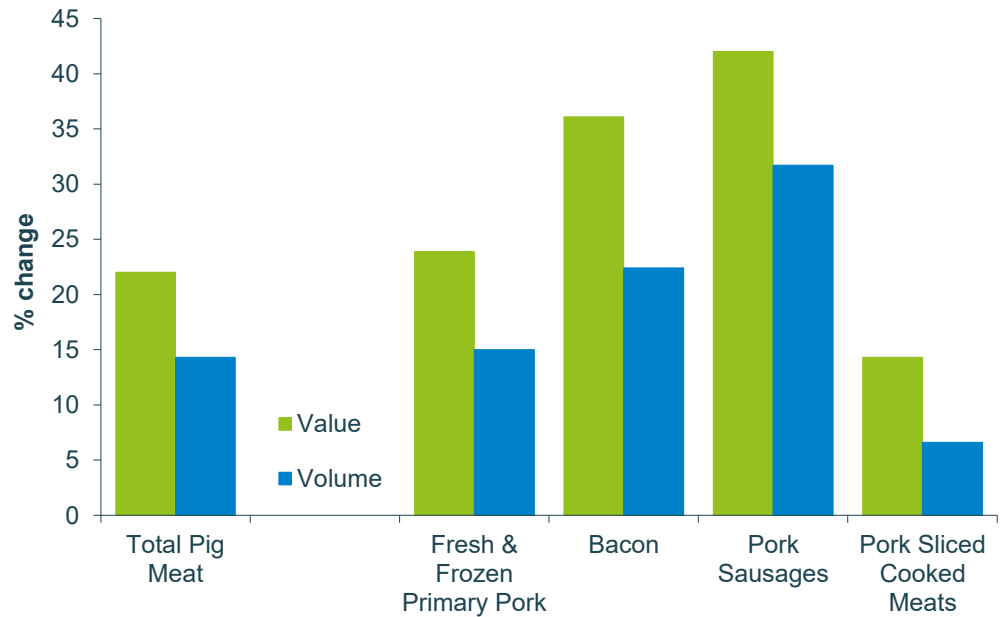
In contrast, offal shipments actually decreased 5% on the year, totalling 31,000 tonnes. Higher shipments to China were countered by a fall in trade with Hong Kong and the Netherlands. Logistical difficulties influenced by the coronavirus in China may have affected this.

GB Retail sales

In the 12 weeks to 7 May, consumer behaviour was distinctly abnormal due to a combination of panic-buying and lockdown restrictions.

Reversing the trend seen earlier in the year, total pig meat*** sales increased by 14% in volume and 22% in value. Sausages and bacon contributed the most to the overall growth. Preliminary AHDB estimates suggest this level of growth has been sufficient to compensate for the loss of the foodservice market, in simple volume terms.

Annual percentage change in retail meat purchases (12 weeks to 17 May 2020)



Source: Kantar Worldpanel

**Figures converted to statistical months*

*** Product weight*

****encompasses primary, bacon, sausages, sliced cooked meats, chilled main meal accompaniments, ready to cook, pulled pork, pork ribs and burgers and grills*

UK pig meat production forecast

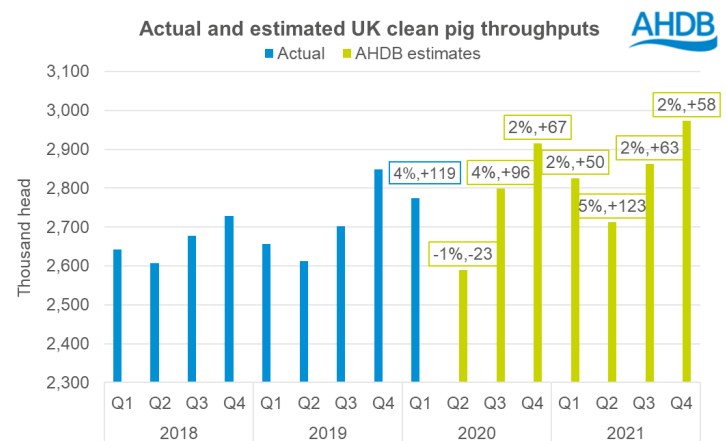
Slaughter

In the short-term, clean pig slaughter levels are quite tight, driven by historic production challenges. However, overall we still expect slaughter to be higher in 2020 than in 2019. Throughput is expected to reach 11.1 million head, about 2% above year earlier levels. Growth should return in the third and fourth quarters, though perhaps not as strongly as earlier in the year.

Actual and forecast UK pig slaughter

000 head	Clean pigs			Sows and boars		
	2019	2020	2021	2019	2020	2021
Q1	2656	2775	2825	65	62	63
Q2	2612	2590	2712	58	61	61
Q3	2702	2799	2862	57	62	61
Q4	2848	2915	2973	63	65	62
Year	10819	11078	11373	243	249	246

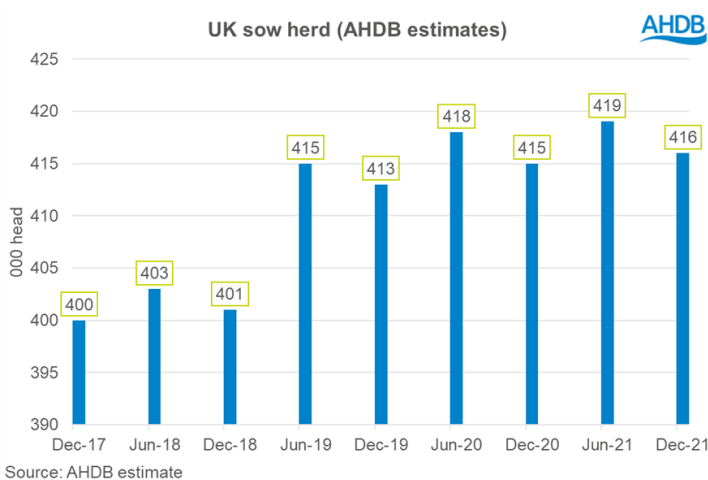
Source: Defra, AHDB. Figures in bold are forecasts. Figures have been converted back to statistical months.



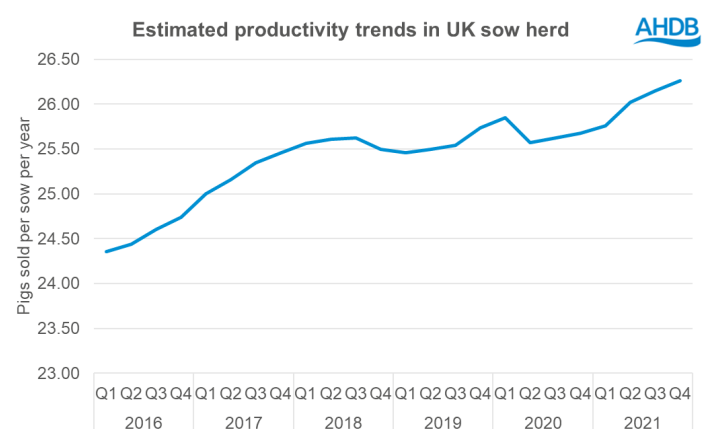
Source: Defra, AHDB estimates

Breeding herd

To account for the significant growth in slaughter in late 2019 and early 2020, we now believe the breeding herd increased by about 3% last year. Anecdotal reports have been mixed, but a 6% increase in breeding feed production since last July does support the view that there are noticeably more sows. Significant improvements to the profitability of pig production would also be supportive of expansion. Further modest expansion may also take place this year, but some uncertainty about the outlook after we leave the EU customs union could mean the pace falls to less than 1%.



Source: AHDB estimate



Source: AHDB estimates based on estimated sow herd and Defra slaughter stats. Figures are 12-month rolling averages

Sow productivity

As is often the case, anecdotal reports regarding herd performance have been somewhat mixed. The Agrosoft data suggests pigs sold per sow has not been improving since mid-2019. There have also been some reports of difficulties with disease challenges in late 2019 and early 2020. However, considering the high slaughter early this year, we think about pigs sold per sow was probably about 1% higher in late 2019 and early 2020.

Nonetheless, in the second quarter of this year a sharp drop in slaughter numbers does suggest some historic production challenges may now be playing a role.

Going forward into the second half of 2020 and 2021, we have assumed that productivity returns to a typical improving trend. Ongoing genetic improvement means there is certainly the potential for further productivity gains, but whether or not these can be realised remains a risk to the forecast.

Sow slaughter

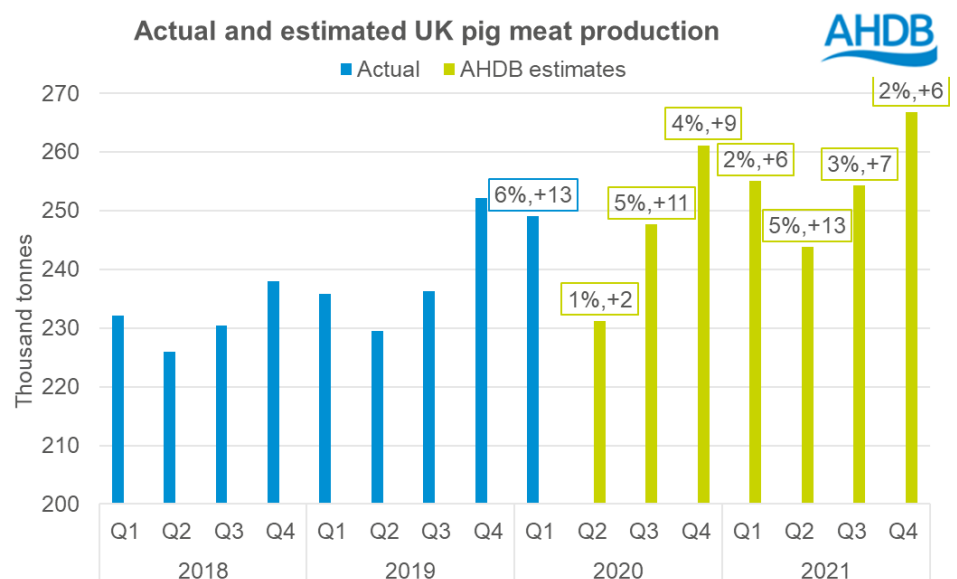
Sow slaughter was relatively low in 2019, following a high rate in 2018. Assuming we now have a slightly older herd, slaughter is forecast to be higher this year. However, in the short-term at least, sow slaughter may be limited by the recent closure of a large German pig processing plant, which limits the demand for our sow carcasses on their key market. This might push higher culling rates to later in the year, particularly around quarter four if uncertainty remains about our future trading relationship with the EU. If sow slaughter is disruption to sow slaughter is very prolonged, this could also ultimately affect herd productivity, with slaughter levels are lower than expected in late 2020 and early 2021.

Carcase weights

Carcase weights increased sharply in 2019, and further growth has been ongoing in 2020. This is largely expected to continue, reflecting the genetic potential of the animals and the fact at least some producers are now able to achieve contracts with higher upper weight limits.

Production

Combining a rise in carcase weights with growth in slaughter levels means UK pig meat production is set to increase by about 4% this year, reaching 989,100 tonnes.



Source: Defra, AHDB estimates

UK pig meat trade forecast

This forecast uses an optimistic demand scenario for COVID-19 (see scenario A in the [scenarios for exiting lockdown](#)) recovery and assumes continued tariff-free access to EU market after January 2021. For discussion of more pessimistic scenarios, please see [scenarios B and C](#) in the scenarios. Under these circumstances, imports, and prices, would need to be even lower in order to balance the market.

Imports

Import levels have been lower so far this year, and while the drop in quarter one was partially influenced by stockpiling at this time in 2019, it seems likely volumes will also be lower for 2020 overall. Fresh/frozen pork may be more affected than processed products, as retail demand for these has been stronger. Nonetheless, increases in retail sales are not expected to fully compensate for lower eating-out volumes in the second-half of the year. Here, we have assumed the eating-out market can recover to half of last year's level for the rest of 2020, but it is certainly possible volumes could be lower than this.

We also expect China to continue to draw product from the EU market, which should limit the pressure from cheaper EU pork, even though foodservice markets have also been disrupted there. In quarter four, we have assumed there may be some stockpiling activity again, before the exit from the customs union. However, lower overall demand and the fact pig meat is now more expensive than early in early 2019 may limit the extent to which this can occur.

Overall, we anticipate UK pig meat imports in 2020 will be about 5% lower than in 2019, at 898,000 tonnes.

Exports

The ongoing shortage of pork on the Chinese market continues to offer opportunities for UK exporters. However, the trading environment is more challenging this year. Prospects will depend both on how China and other exporters handle the coronavirus outbreak as this will affect the level of competition and demand.

Pig meat exports (excluding offal) were still 4% higher in quarter one, despite some logistical challenges. We expect export prospects to improve towards the end of the year and that overall shipments could increase by a further 6%, to 307,000 tonnes.

Price Outlook

So far this year, prices have shown little movement, remaining at a generally elevated level. It is seems feasible that the situation will remain similar for the rest of 2020. At present, the short supply of British pigs, strong retail demand and good export prospects are providing market support. Although pig supplies are expected to increase again later in the year, we also expect export prospects to improve as the year progresses, which should help absorb extra supplies. Improvements on the Chinese market would also help support the EU market, limiting the risks of competition from lower-priced EU pork. Fundamentally, there continues to be a global pork shortage.

However, the situation is not without risk. High pork prices are largely contingent on good export prospects to China; if demand, or the ability to supply this market, is significantly disrupted, prices would come under pressure. Increased restrictions on trade with this nation, for example due to further spread of African Swine Fever in Europe, or a significant second-wave of coronavirus infections in China, are examples of plausible developments that could be disruptive.

Chinese pig herd rebuilding is underway, and so looking ahead to next year, we can reasonably expect to see price levels start to moderate. In Britain, the extent of this will depend on our trading relations with the EU and elsewhere. Increased import barriers would be price supportive as the UK is a significant net importer of pig meat, but tariff-free access for low-cost producers could erode

Summary table



Annual and forecast supplies of UK pig meat (Thousand tonnes CWE)

	2018	2019					2020					2021
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Year
Production	927	236	229	236	252	954	249	231	248	261	989	1,020
Imports	1057	257	225	228	235	945	225	226	210	237	898	915
Fresh/frozen*	508	129	108	112	118	467	113	101	95	116	425	435
Bacon	252	60	53	57	55	226	55	55	56	58	224	227
Processed	298	68	64	60	61	252	58	70	58	63	249	253
Exports	266	68	72	73	78	291	70	75	78	83	307	307
Available for consumption	1,717	424	383	391	409	1,608	404	382	379	415	1,580	1,628

Source: Defra, IHS Maritime and Trade-Global Trade Atlas®, HMRC, local customs data, AHDB estimates

Figures in bold are forecasts. Production figures have been converted into statistical months.

*Fresh/ frozen imports estimated, on export figures for 8 largest UK pork suppliers